

**Introduced by Senator Nielsen**February 22, 2013

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An act to add Section 14105.282 to the Welfare and Institutions Code, relating to Medi-Cal, and declaring the urgency thereof, to take effect immediately.

## LEGISLATIVE COUNSEL'S DIGEST

SB 645, as introduced, Nielsen. Diagnosis-related group methodology.

Existing law provides for the Medi-Cal program, which is administered by the State Department of Health Care Services, under which qualified low-income individuals receive health care services. The Medi-Cal program is, in part, governed and funded by federal Medicaid Program provisions. Existing law requires the department, subject to federal approval, to develop and implement a payment methodology based on diagnosis-related groups that reflects that costs and staffing levels associated with quality of care for patients in all general acute care hospitals, as specified. Existing law requires that the methodology developed pursuant to these provisions be implemented on July 1, 2012, or on the date upon which the director executes a declaration certifying that all necessary federal approvals have been obtained and the methodology is sufficient for formal implementation, whichever is later.

This bill would require the department, before the diagnosis-related group methodology can be implemented, to develop a methodology, in consultation with the hospital community, for hospitals to review base payment rates proposed by the department. The bill would require the department, commencing July 1, 2013, to begin collecting diagnosis codes and procedure codes to establish a database from which to develop base payment rates and would require the department to develop an

education and training program for hospital Medi-Cal billing staff, in consultation with the hospital community, to be conducted between April 1, 2014, and May 13, 2014.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 14105.282 is added to the Welfare and  
2 Institutions Code, to read:

3 14105.282. (a) Notwithstanding Section 14105.28, the  
4 methodology based on diagnosis-related groups shall not be  
5 implemented until the department develops a methodology, in  
6 consultation with the hospital community, for hospitals to review  
7 base payment rates for health care services proposed by the  
8 department. The methodology shall include a process for appealing  
9 for changes to a base rate if discrepancies are identified by the  
10 hospitals.

11 (b) Commencing on July 1, 2013, the department shall begin  
12 to collect diagnosis codes and procedure codes to establish a  
13 database from which to develop base payment rates as described  
14 in subdivision (a).

15 (c) By March 1, 2014, the department shall develop an education  
16 and training program for hospital Medi-Cal billing staff, in  
17 consultation with the hospital community, to be conducted between  
18 April 1, 2014, and May 13, 2014.

19 (d) The department shall work in collaboration with the hospital  
20 community and be responsive to solving discrepancies in data,  
21 data collection, calculations, assumptions, base payment rates, and  
22 other issues related to ensuring an accurate and responsible  
23 implementation of the methodology based on diagnosis-related  
24 groups pursuant to Section 14105.28.

25 SEC. 2. This act is an urgency statute necessary for the  
26 immediate preservation of the public peace, health, or safety within  
27 the meaning of Article IV of the Constitution and shall go into  
28 immediate effect. The facts constituting the necessity are:

29 In order to ensure an accurate and responsible implementation  
30 of the new Medi-Cal inpatient hospital reimbursement methodology

- 1 based on diagnosis-related groups, it is necessary that this act take
- 2 effect immediately.

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